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FOREIGN SERVICE DESPATCH

AMEMBASSY, GUATEMALA

1153
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THE DEPARTMENT OF STATE, WASHINGTON.

Action Assigned to

Action Taken
June 26, 1953
DATE

JUN 27 1953

Date of Action 7-1-53

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SUBJECT: WEEKA NO. 26 - ECONOMIC SECTION

SECTION II

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Congress this week eliminated the possibility that private interests would manage the coffee and sugar mills on the former National Farms by cutting from Article 28 of the Agrarian Reform Law the provision for transferring these installations to mixed Government-private companies. They will instead remain under Government ownership and operation.

As Congress turned to the consideration of the 1953-54 national budget, Deputy Julio ESTRADA de la Hoz, Chairman of the Finance Committee, defended a proposed $10,000,000 increase over the initial 1952-53 budget and said the country's economic situation was favorable, but Communist Deputy Carlos Manuel PELLECER held that national industry was in grave danger from foreign competition and could not support higher taxes. He advocated instead higher levies on foreign companies and a revision of the United Fruit Company's contract.

Agrarian Reform

Congress this week approved an amendment to Article 28 of the Agrarian Reform Law transferring the commercial and industrial establishments administered by the National Farms (FN) to the Production Development Institute (INFOP) and providing for the dissolution of any Government-private companies formed to operate such establishments under that Article. As originally proposed to Congress by the Executive in March, the amendment would have transferred to INFOP only those installations not taken over by Government-private companies before the scheduled June 30 liquidation

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of FN (Weeka No. 13), but no applications for mixed ownership were approved and Congress has now eliminated the possibility of participation by private business.

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During the past few months at least 51 applications had been made to operate the approximately 78 coffee and sugar mills, but an INFOP official recently said privately that the Government was afraid private operators might take advantage of farmers when buying green coffee and sugar cane and that this might cause conflicts between them. Actually, few sound businessmen were interested in a partnership in which the Government would have a controlling interest.

Congress' action in modifying another amendment suggested by the Executive Branch is discussed in Section I.

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National Budget

A 1953-54 budget of $73,399,905, an increase of $671,000 over the sum recommended in March by the Executive (Weeka No. 12), was reported out by the Congressional Finance Committee on June 20. The Committee discounted fears that income was being over-estimated by pointing out that the present budget had been met despite the flight of capital, lack of new private investment, and evasion of taxes by businessmen, "who were determined to block the implementation of the Agrarian Reform Law and force the great popular majorities into a difficult situation".

Opposition deputies opened the debate on the budget by calling it dangerously inflationary and demanding that it be reduced to a realistic amount in view of the serious condition of Guatemalan business and industry. However, pro-Administration Deputy Julio Estrada de la Hoz replied that the country's economic situation was favorable, that income was increasing for "natural reasons", and that it was logical for the State to invest that wealth in projects of collective benefit. Communist Deputy Carlos Manuel Pellecer added that the days were past when budget economies could be made at the expense of the people. He called for higher taxes on foreign companies and on "the rich" and for a revision of the United Fruit Company's contract, but said that taxes on national

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industries should not be increased as foreign competition was already endangering their existence and could lead to a grave unemployment problem.

Economic Development

Sr. Constantino BERNASCONI, Director General of Highways, announced this week that in order to carry out the Government's 1953-54 road building program the Highway Department would soon add 30 heavy tractors valued at $1,500,000 to its present fleet of 129 machines. He said that plans for the coming fiscal year called for continuing the work on 11 existing projects and beginning construction of four others: a sector of the Inter-American Highway south of Guatemala City; roads from the Capital to Salamá, Baja Verapaz, and from El Estor to Cahaboncito, Alta Verapaz; and another road not yet named.

Rudolf E. Schoenfeld

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